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Ms. Jessica Priest  
Victoria Advocate  
311 East Constitution  
Victoria, TX 77901

Via E-mail: jpriest@vicad.com

Re: Texas Public Information Act Request of Feb 15, 2019 ("Request")

Dear Ms. Priest:

On behalf of the Port O'Connor Improvement District, please let this letter respond to the Request, received via electronic mail to the District on February 15, 2019.

As you requested, we are transmitting copies to you electronically. Attached is a copy of the draft audit presented to the Board of Directors at the February 12, 2019 meeting of the Board of Directors. As you clarified as acceptable, the documents produced are the drafts presented at the meeting.

Sincerely,

WALKER KEELING LLP

  
Donna Grafe-Tucker

cc: Erny McDonough, President  
Evangelina Trevino, Office Manager  
Port O'Connor Improvement District  
P.O. Box 375  
Port O'Connor TX 77982

**PORT O'CONNOR IMPROVEMENT DISTRICT**

**CALHOUN COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2018**

**DRAFT SUBJECT TO CHANGE**

## TABLE OF CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT   | 1-2         |
| MANAGEMENT'S DISCUSSION AND ANALYSIS   | 3-7         |
| BASIC FINANCIAL STATEMENTS   |             |
| STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET   | 8-9         |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE<br>STATEMENT OF NET POSITION   | 10          |
| STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF<br>REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES                             | 11-12       |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,<br>EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF<br>ACTIVITIES | 13          |
| NOTES TO FINANCIAL STATEMENTS  | 14-26       |
| REQUIRED SUPPLEMENTARY INFORMATION   |             |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-<br>BUDGET AND ACTUAL-GENERAL FUND  | 28          |
| SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL<br>MANAGEMENT GUIDE   |             |
| NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT<br>GUIDE (Included in the notes to the financial statements)                         |             |
| SERVICES AND RATES   | 30-32       |
| GENERAL FUND EXPENDITURES  | 33-34       |
| INVESTMENTS  | 35          |
| TAXES LEVIED AND RECEIVABLE  | 36-37       |
| LONG-TERM DEBT SERVICE REQUIREMENTS  | 38-40       |
| CHANGES IN LONG-TERM BOND DEBT   | 41-42       |
| COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL<br>FUND AND DEBT SERVICE FUND - FIVE YEARS  | 43-46       |
| BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS   | 47-48       |

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Port O'Connor Improvement District  
Calhoun County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Port O'Connor Improvement District (the "District"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors  
Port O'Connor Improvement District

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

February 12, 2019

**PORT O'CONNOR IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Management's discussion and analysis of Port O'Connor Improvement District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**PORT O'CONNOR IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO FINANCIAL STATEMENTS**

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

**PORT O'CONNOR IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$15,842,708 as of September 30, 2018.

A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as water and wastewater systems less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in net position:

| Summary of Changes in the Statement of Net Position |               |               |                                  |
|---|---------------|---------------|----------------------------------|
|   | 2018          | 2017          | Change<br>Positive<br>(Negative) |
| Current and Other Assets                            | \$ 10,398,628 | \$ 9,464,205  | \$ 934,423                       |
| Capital Assets (Net of Accumulated Depreciation)    | 12,463,884    | 12,292,548    | 171,336                          |
| Total Assets  | \$ 22,862,512 | \$ 21,756,753 | \$ 1,105,759                     |
| Bonds Payable                                       | \$ 6,095,000  | \$ 6,425,000  | \$ 330,000                       |
| Other Liabilities                                   | 924,804       | 802,723       | (122,081)                        |
| Total Liabilities                                   | \$ 7,019,804  | \$ 7,227,723  | \$ 207,919                       |
| Net Position:                                       |               |               |                                  |
| Net Investment in Capital Assets                    | \$ 7,829,799  | \$ 9,727,548  | \$ (1,897,749)                   |
| Restricted  | 1,649,990     | 1,964,371     | (314,381)                        |
| Unrestricted  | 6,362,919     | 2,837,111     | 3,525,808                        |
| Total Net Position                                  | \$ 15,842,708 | \$ 14,529,030 | \$ 1,313,678                     |



**PORT O'CONNOR IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table provides a summary of the District's operations for the years ended September 30, 2018, and September 30, 2017.

| Summary of Changes in the Statement of Activities |               |               |                                  |
|---|---------------|---------------|----------------------------------|
|   | 2018          | 2017          | Change<br>Positive<br>(Negative) |
| Revenues:   |               |               |                                  |
| Property Taxes                                    | \$ 1,827,230  | \$ 1,940,645  | \$ (113,415)                     |
| Charges for Services                              | 2,496,100     | 2,411,252     | 84,848                           |
| Other Revenues                                    | 68,970        | 28,133        | 40,837                           |
| Total Revenues                                    | \$ 4,392,300  | \$ 4,380,030  | \$ 12,270                        |
| Expenses for Services                             | (3,078,622)   | (3,398,000)   | 319,378                          |
| Change in Net Position                            | \$ 1,313,678  | \$ 982,030    | \$ 331,648                       |
| Net Position, Beginning of Year                   | 14,529,030    | 13,547,000    | 982,030                          |
| Net Position, End of Year                         | \$ 15,842,708 | \$ 14,529,030 | \$ 1,313,678                     |

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of September 30, 2018, were \$9,445,334, an increase of \$795,301 from the prior year.

The General Fund fund balance increased by \$754,305 primarily due to property tax and service revenues exceeding operating expenditures and capital outlay.

The Debt Service Fund fund balance increased by \$617,077, primarily due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance decreased by \$576,081, primarily due to capital outlay paid from bond proceeds received in a prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$107,885 more than budgeted revenues. Actual expenditures were \$314,113 less than budgeted expenditures. See budget to actual comparison for additional analysis.

**PORT O'CONNOR IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CAPITAL ASSETS**

Capital assets as of September 30, 2018, total \$12,463,884 (net of accumulated depreciation) and include land, buildings and equipment as well as the water and wastewater systems. Additional information on the District's capital assets can be found in Note 6.

| Capital Assets At Year-End, Net of Accumulated Depreciation |                      |                      |                                  |
|---|----------------------|----------------------|----------------------------------|
|   | 2018                 | 2017                 | Change<br>Positive<br>(Negative) |
| Capital Assets Not Being Depreciated:                       |                      |                      |                                  |
| Land and Land Improvements                                  | \$ 487,907           | \$ 487,907           |                                  |
| Construction in Progress                                    | 1,852,346            | 1,330,592            | 521,754                          |
| Capital Assets, Net of Accumulated Depreciation:            |                      |                      |                                  |
| Water System  | 4,347,637            | 4,563,385            | (215,748)                        |
| Wastewater System   | 4,463,136            | 4,638,788            | (175,652)                        |
| Buildings, Equipment and Other                              | 1,312,858            | 1,271,876            | 40,982                           |
| Total Net Capital Assets                                    | <u>\$ 12,463,884</u> | <u>\$ 12,292,548</u> | <u>\$ 171,336</u>                |

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total long-term debt payable of \$6,095,000.

The changes in the debt position of the District during the fiscal year ended September 30, 2018, are summarized as follows:

|                                       |                     |
|---------------------------------------|---------------------|
| Bond Debt Payable, October 1, 2017    | \$ 6,425,000        |
| Less: Bond Principal Paid             | <u>330,000</u>      |
| Bond Debt Payable, September 30, 2018 | <u>\$ 6,095,000</u> |

The District does not carry an underlying rating and the Series 2013 Refunding bonds and Series 2015 bonds did not have an insured rating.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Port O'Connor Improvement District, P.O. Box 375, Port O'Connor, TX 77982.

**PORT O'CONNOR IMPROVEMENT DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2018**

|   | General Fund        | Debt<br>Service Fund |
|---|---------------------|----------------------|
| <b>ASSETS</b>   |                     |                      |
| Cash  | \$ 4,135,504        | \$ 1,649,856         |
| Investments   | 2,542,889           |                      |
| Receivables:  |                     |                      |
| Property Taxes  | 17,251              | 16,842               |
| Service Accounts  | 206,561             |                      |
| Due from Other Funds  | 47,971              | 2,851                |
| Due from Other Governments  | 81,563              |                      |
| Inventory   | 170,734             |                      |
| Land  |                     |                      |
| Construction in Progress  |                     |                      |
| Capital Assets (Net of Accumulated Depreciation)                              |                     |                      |
| <b>TOTAL ASSETS</b>   | <b>\$ 7,202,473</b> | <b>\$ 1,669,549</b>  |
| <b>LIABILITIES</b>  |                     |                      |
| Accounts Payable  | \$ 344,126          | \$                   |
| Accrued Interest Payable  |                     | 13,956               |
| Due to Other Funds  | 2,851               |                      |
| Security Deposits   | 298,150             |                      |
| Long-Term Liabilities:  |                     |                      |
| Due Within One Year   |                     |                      |
| Due After One Year  |                     |                      |
| <b>TOTAL LIABILITIES</b>  | <b>\$ 645,127</b>   | <b>\$ 13,956</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                      |
| Property Taxes  | \$ 17,251           | \$ 16,842            |
| <b>FUND BALANCES</b>  |                     |                      |
| Nonspendable Inventory  | \$ 170,734          | \$                   |
| Restricted for Authorized Construction  |                     |                      |
| Restricted for Debt Service   | 194,427             | 1,638,751            |
| Unassigned  | 6,174,934           |                      |
| <b>TOTAL FUND BALANCES</b>  | <b>\$ 6,540,095</b> | <b>\$ 1,638,751</b>  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> | <b>\$ 7,202,473</b> | <b>\$ 1,669,549</b>  |
| <b>NET POSITION</b>   |                     |                      |
| Net Investment in Capital Assets  |                     |                      |
| Restricted for Debt Service   |                     |                      |
| Unrestricted  |                     |                      |
| <b>TOTAL NET POSITION</b>   |                     |                      |

The accompanying notes to financial  
statements are an integral part of this report.

| Capital<br>Projects Fund | Total                | Adjustments           | Statement of<br>Net Position |
|--------------------------|----------------------|-----------------------|------------------------------|
| \$ 1,389,928             | \$ 7,175,288         | \$                    | \$ 7,175,288                 |
| 187,500                  | 2,730,389            |                       | 2,730,389                    |
|                          | 34,093               |                       | 34,093                       |
|                          | 206,561              |                       | 206,561                      |
|                          | 50,822               | (50,822)              |                              |
|                          | 81,563               |                       | 81,563                       |
|                          | 170,734              |                       | 170,734                      |
|                          |                      | 487,907               | 487,907                      |
|                          |                      | 1,852,346             | 1,852,346                    |
|                          |                      | 10,123,631            | 10,123,631                   |
| <u>\$ 1,577,428</u>      | <u>\$ 10,449,450</u> | <u>\$ 12,413,062</u>  | <u>\$ 22,862,512</u>         |
| \$ 262,969               | \$ 607,095           | \$                    | \$ 607,095                   |
|                          | 13,956               | 5,603                 | 19,559                       |
| 47,971                   | 50,822               | (50,822)              |                              |
|                          | 298,150              |                       | 298,150                      |
|                          |                      | 345,000               | 345,000                      |
|                          |                      | 5,750,000             | 5,750,000                    |
| <u>\$ 310,940</u>        | <u>\$ 970,023</u>    | <u>\$ 6,049,781</u>   | <u>\$ 7,019,804</u>          |
| \$ -0-                   | \$ 34,093            | \$ (34,093)           | \$ -0-                       |
| \$                       | \$ 170,734           | \$ (170,734)          |                              |
| 1,266,488                | 1,266,488            | (1,266,488)           |                              |
|                          | 1,833,178            | (1,833,178)           |                              |
|                          | 6,174,934            | (6,174,934)           |                              |
| <u>\$ 1,266,488</u>      | <u>\$ 9,445,334</u>  | <u>\$ (9,445,334)</u> | <u>\$ -0-</u>                |
| <u>\$ 1,577,428</u>      | <u>\$ 10,449,450</u> |                       |                              |
|                          |                      | \$ 7,829,799          | \$ 7,829,799                 |
|                          |                      | 1,649,990             | 1,649,990                    |
|                          |                      | 6,362,919             | 6,362,919                    |
|                          |                      | <u>\$ 15,842,708</u>  | <u>\$ 15,842,708</u>         |

The accompanying notes to financial  
statements are an integral part of this report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

Total Fund Balances - Governmental Funds \$ 9,445,334

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 12,463,884

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the Authority. 34,093

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Accrued Interest Payable      | \$ (5,603)         |                    |
| Bonds Payable Within One Year | (345,000)          |                    |
| Bonds Payable After One Year  | <u>(5,750,000)</u> | <u>(6,100,603)</u> |

Total Net Position - Governmental Activities \$ 15,842,708

The accompanying notes to financial  
statements are an integral part of this report.

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**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|                                     | General Fund        | Debt<br>Service Fund |
|-------------------------------------|---------------------|----------------------|
| <b>REVENUES</b>                     |                     |                      |
| Property Taxes                      | \$ 808,150          | \$ 984,987           |
| Water Service                       | 950,181             |                      |
| Wastewater Service                  | 547,737             |                      |
| Penalty and Interest                | 29,374              | 12,631               |
| Tap Connection and Inspection Fees  | 114,500             |                      |
| Sales and Use Tax Revenues          | 251,311             |                      |
| Solid Waste Service                 | 406,117             |                      |
| Management Fees                     | 184,249             |                      |
| Investment Revenues                 | 48,158              | 2,581                |
| Miscellaneous Revenues              | 12,677              |                      |
| <b>TOTAL REVENUES</b>               | <b>\$ 3,352,454</b> | <b>\$ 1,000,199</b>  |
| <b>EXPENDITURES/EXPENSES</b>        |                     |                      |
| Service Operations:                 |                     |                      |
| Professional Fees                   | \$ 432,641          | \$                   |
| Personnel                           | 223,781             |                      |
| Contracted Services                 | 754,934             | 500                  |
| Purchased Water Service             | 404,719             |                      |
| Utilities                           | 104,082             |                      |
| Repairs and Maintenance             | 182,337             |                      |
| Depreciation                        |                     |                      |
| Other                               | 179,498             | 144                  |
| Capital Outlay                      | 126,514             |                      |
| Debt Service:                       |                     |                      |
| Bond Principal                      | 115,000             | 215,000              |
| Bond Interest                       | 74,643              | 167,478              |
| <b>TOTAL EXPENDITURES/EXPENSES</b>  | <b>\$ 2,598,149</b> | <b>\$ 383,122</b>    |
| <b>NET CHANGE IN FUND BALANCES</b>  | <b>\$ 754,305</b>   | <b>\$ 617,077</b>    |
| <b>CHANGE IN NET POSITION</b>       |                     |                      |
| <b>FUND BALANCES/NET POSITION -</b> |                     |                      |
| <b>OCTOBER 1, 2017</b>              | <b>5,785,790</b>    | <b>1,021,674</b>     |
| <b>FUND BALANCES/NET POSITION -</b> |                     |                      |
| <b>SEPTEMBER 30, 2018</b>           | <b>\$ 6,540,095</b> | <b>\$ 1,638,751</b>  |

The accompanying notes to financial  
statements are an integral part of this report.

| Capital<br>Projects Fund | Total               | Adjustments         | Statement of<br>Activities |
|--------------------------|---------------------|---------------------|----------------------------|
| \$                       | \$ 1,793,137        | \$ 34,093           | \$ 1,827,230               |
|                          | 950,181             |                     | 950,181                    |
|                          | 547,737             |                     | 547,737                    |
|                          | 42,005              |                     | 42,005                     |
|                          | 114,500             |                     | 114,500                    |
|                          | 251,311             |                     | 251,311                    |
|                          | 406,117             |                     | 406,117                    |
|                          | 184,249             |                     | 184,249                    |
| 5,554                    | 56,293              |                     | 56,293                     |
|                          | 12,677              |                     | 12,677                     |
| <u>\$ 5,554</u>          | <u>\$ 4,358,207</u> | <u>\$ 34,093</u>    | <u>\$ 4,392,300</u>        |
| \$                       | \$ 432,641          | \$                  | \$ 432,641                 |
|                          | 223,781             |                     | 223,781                    |
|                          | 755,434             |                     | 755,434                    |
|                          | 404,719             |                     | 404,719                    |
|                          | 104,082             |                     | 104,082                    |
|                          | 182,337             | 65,482              | 247,819                    |
|                          |                     | 472,592             | 472,592                    |
| 542                      | 180,184             |                     | 180,184                    |
| 581,093                  | 707,607             | (707,607)           |                            |
|                          | 330,000             | (330,000)           |                            |
|                          | 242,121             | 15,249              | 257,370                    |
| <u>\$ 581,635</u>        | <u>\$ 3,562,906</u> | <u>\$ (484,284)</u> | <u>\$ 3,078,622</u>        |
| \$ (576,081)             | \$ 795,301          | \$ (795,301)        | \$                         |
|                          |                     | 1,313,678           | 1,313,678                  |
| <u>1,842,569</u>         | <u>8,650,033</u>    | <u>5,878,997</u>    | <u>14,529,030</u>          |
| <u>\$ 1,266,488</u>      | <u>\$ 9,445,334</u> | <u>\$ 6,397,374</u> | <u>\$ 15,842,708</u>       |

The accompanying notes to financial  
statements are an integral part of this report.



**PORT O'CONNOR IMPROVEMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Net Change in Fund Balances - Governmental Funds

\$ 795,301

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 34,093

Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (472,592)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 642,125

Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected. 330,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (15,249)

Change in Net Position - Governmental Activities \$ 1,313,678

The accompanying notes to financial  
statements are an integral part of this report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 1. CREATION OF DISTRICT**

The District is an improvement district organized and established in accordance with Article XVI, Section 59 of the Texas Constitution. The rights, powers, privileges, authority and functions of the District are established by special legislation approved by the Texas Legislature in 1977, as amended and now codified as Chapter 8409, Special District Local Laws Code. The District has the rights, powers, privileges and functions contained and imposed by general law applicable to a municipal utility district created under Section 59, Article XVI, Texas Constitution, including Chapters 49 and 54 of the Water Code. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plans necessary for the supply and distribution of water, the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the navigation of its inland and coastal water.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

**Financial Statement Presentation**

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Statement Presentation (Continued)**

It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- \* Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- \* Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- \* Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

**Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2018, the General Fund recorded a receivable from the Capital Projects Fund in the amount of \$47,971 for construction costs paid in a prior year. The General Fund also recorded a payable to the Debt Service Fund in the amount of \$2,851 for the over transfer of taxes.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

|                     | <u>Years</u> |
|---------------------|--------------|
| Buildings           | 40           |
| Water System        | 7-45         |
| Wastewater System   | 10-45        |
| All Other Equipment | 3-20         |

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Pensions**

A pension plan has not been established. The District has 8 employees. The Internal Revenue Service has determined that directors are considered employees for federal payroll tax purposes only.

**Measurement Focus**

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

*Nonspendable:* amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

*Unassigned:* all other spendable amounts in the General Fund.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 3. LONG-TERM DEBT**

|   | Series 2013<br>Refunding  | Series 2015               |
|---|---------------------------|---------------------------|
| Amount Outstanding – September 30, 2018 | \$3,645,000               | \$2,450,000               |
| Interest Rates                          | 3.00% - 5.20%             | 1.15% - 4.02%             |
| Maturity Dates –<br>Beginning/Ending    | September 1,<br>2019/2039 | September 1,<br>2019/2035 |
| Interest Payment Dates                  | March 1/September 1       | March 1/September 1       |
| Callable Dates                          | September 1, 2020*        | March 1, 2026*            |

- \* On any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, in whole or in part, at the option of the District, in such manner as the District may determine. The Series 2013 term bonds maturing on September 1, 2027, September 1, 2033, September 1, 2035, and September 1, 2039, are subject to mandatory redemption by lot or other customary random selection method beginning September 1, 2025, September 1, 2028, September 1, 2034, and September 1, 2036, respectively. The Series 2015 term bonds maturing on September 1, 2026 are subject to optional redemption, in inverse order of maturity, beginning September 1, 2025.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

The following is a summary of transactions regarding the changes in the long-term liabilities for the year ended September 30, 2018:

|               | October 1,<br>2017 | Additions | Retirements                | September 30,<br>2018 |
|---------------|--------------------|-----------|----------------------------|-----------------------|
| Bonds Payable | \$ 6,425,000       | \$ - 0 -  | \$ 330,000                 | \$ 6,095,000          |
|               |                    |           | Amount Due Within One Year | \$ 345,000            |
|               |                    |           | Amount Due After One Year  | 5,750,000             |
|               |                    |           | Bonds Payable, Net         | \$ 6,095,000          |

As of September 30, 2018, the District had authorized but unissued unlimited tax bonds in the amount of \$12,000,000, water and sewer system revenue bonds in the amount of \$9,185,000, Refunding bonds in the amount of \$5,300,000, respectively. The Defined Area No. 1 has authorized but unissued tax bonds in the amount of \$20,000,000.

As of September 30, 2018, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal           | Interest            | Total               |
|-------------|---------------------|---------------------|---------------------|
| 2019        | \$ 345,000          | \$ 234,705          | \$ 579,705          |
| 2020        | 355,000             | 226,575             | 581,575             |
| 2021        | 360,000             | 217,432             | 577,432             |
| 2022        | 375,000             | 207,184             | 582,184             |
| 2023        | 380,000             | 195,659             | 575,659             |
| 2024-2028   | 1,355,000           | 811,629             | 2,166,629           |
| 2029-2033   | 1,460,000           | 552,067             | 2,012,067           |
| 2034-2038   | 1,255,000           | 220,598             | 1,475,598           |
| 2039        | 210,000             | 10,920              | 220,920             |
|             | <u>\$ 6,095,000</u> | <u>\$ 2,676,769</u> | <u>\$ 8,771,769</u> |

During the year ended September 30, 2018, the District levied a District-wide ad valorem debt service tax at the rate of \$0.30 per \$100 of assessed valuation, which resulted in a tax levy of \$984,647 on the adjusted taxable valuation of \$332,952,434 for the 2017 tax year. See Note 7 for maintenance tax levy. The District's tax calendar is as follows:

|                 |  |
|-----------------|--|
| Levy Date       | - October 1, as soon thereafter as practicable.                              |
| Lien Date       | - January 1.   |
| Due Date        | - Not later than January 31.   |
| Delinquent Date | - February 1, at which time the taxpayer is liable for penalty and interest. |



**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 4.      SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS**

The 2013 bond resolution requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes is sufficient to meet debt service requirements through the fiscal year ended September 30, 2018.

The Series 2015 bond resolution requires the Series 2015 bonds to be secured by and payable solely from the net revenues of the District's water, sewer and drainage system and are not secured by the District's debt service tax. The Series 2015 bond resolution requires the District to establish a Reserve Fund in the amount of \$194,427. These provisions have been met, and the cash allocated for these purposes is sufficient to meet debt requirements through the fiscal year ended September 30, 2018.

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide annual continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th year anniversary of each issue.

**NOTE 5.      DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's bank deposits was \$7,175,288 and the bank balance was \$7,419,753. The District was not exposed to custodial credit risk at year-end.

**PORT O'CONNOR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2018, as listed below:

|                       | <u>Cash</u>         |
|-----------------------|---------------------|
| GENERAL FUND          | \$ 4,135,504        |
| DEBT SERVICE FUND     | 1,649,856           |
| CAPITAL PROJECTS FUND | <u>1,389,928</u>    |
| TOTAL DEPOSITS        | <u>\$ 7,175,288</u> |

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas Class.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

The District invests in Bank of New York Mellon Government Money Market Fund ("BNY"), money market mutual fund which is SEC-registered. The District measures its investment in BNY at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from BNY.

All investments are recorded at cost, which the District considers to be fair value. As of September 30, 2018, the District had the following investments and maturities:

| Fund and<br>Investment Type         | Maturities in Years |                     |                 |
|-------------------------------------|---------------------|---------------------|-----------------|
|                                     | Fair Value          | Less Than<br>1 Year | Thereafter      |
| <b><u>GENERAL FUND</u></b>          |                     |                     |                 |
| Texas CLASS                         | \$ 2,542,889        | \$2,542,889         |                 |
| <b><u>CAPITAL PROJECTS FUND</u></b> |                     |                     |                 |
| Money Market Mutual Funds           | 187,500             | 187,500             |                 |
| <b>TOTAL INVESTMENTS</b>            | <b>\$ 2,730,389</b> | <b>\$2,730,389</b>  | <b>\$ - 0 -</b> |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2018, the District's investments in Texas CLASS and BNY were rated "AAAm" and "A-1+" by Standard and Poor's, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS and BNY to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase or construction of capital assets.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018:

|  | October 1,<br>2017   | Increases           | Decreases         | September 30,<br>2018 |
|--|----------------------|---------------------|-------------------|-----------------------|
| <b>Capital Assets Not Being Depreciated</b>                              |                      |                     |                   |                       |
| Land and Land Improvements   | \$ 487,907           | \$                  | \$                | \$ 487,907            |
| Construction in Progress   | 1,330,592            | 643,928             | 122,174           | 1,852,346             |
| <b>Total Capital Assets Not Being Depreciated</b>                        | <b>\$ 1,818,499</b>  | <b>\$ 643,928</b>   | <b>\$ 122,174</b> | <b>\$ 2,340,253</b>   |
| <b>Capital Assets Subject to Depreciation</b>                            |                      |                     |                   |                       |
| Water System   | \$ 6,596,421         | \$                  | \$                | \$ 6,596,421          |
| Wastewater System  | 7,060,803            |                     |                   | 7,060,803             |
| Buildings, Equipment and Other   | 2,106,581            | 122,174             |                   | 2,228,755             |
| <b>Total Capital Assets Subject to Depreciation</b>                      | <b>\$ 15,763,805</b> | <b>\$ 122,174</b>   | <b>\$ - 0 -</b>   | <b>\$ 15,885,979</b>  |
| <b>Less Accumulated Depreciation</b>                                     |                      |                     |                   |                       |
| Water System   | \$ 2,033,036         | \$ 215,748          | \$                | \$ 2,248,784          |
| Wastewater System  | 2,422,015            | 175,652             |                   | 2,597,667             |
| Buildings, Equipment and Other   | 834,705              | 81,192              |                   | 915,897               |
| <b>Total Accumulated Depreciation</b>                                    | <b>\$ 5,289,756</b>  | <b>\$ 472,592</b>   | <b>\$ - 0 -</b>   | <b>\$ 5,762,348</b>   |
| <b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b> | <b>\$ 10,474,049</b> | <b>\$ (350,418)</b> | <b>\$ - 0 -</b>   | <b>\$ 10,123,631</b>  |
| <b>Total Capital Assets, Net of Accumulated Depreciation</b>             | <b>\$ 12,292,548</b> | <b>\$ 293,510</b>   | <b>\$ 122,174</b> | <b>\$ 12,463,884</b>  |

**NOTE 7. MAINTENANCE TAX**

During the fiscal year ended September 30, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.23 per \$100 of assessed valuation, which resulted in a tax levy of \$756,982 on the adjusted taxable valuation of \$332,952,434 for the 2017 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

Defined Area

Pursuant to a resolution of the District's Board of Directors adopted on February 11, 2008, and a subsequent election held on May 10, 2008, approximately 41 acres within the boundaries of the District were designated a Defined Area No. 1 ("Defined Area"). The Defined Area was created to provide additional services to the property within the Defined Area, including improvements for drainage and navigation of inland and coastal water. The maximum tax rate approved by voters within the Defined Area is \$0.80. The portion of the ad valorem tax levied within the Defined Area for operation and maintenance purposes of the Defined Area is not pledged to or available for payment of debt service on the Bonds; however, the District wide debt service ad valorem tax levied on all property within the District, including the Defined Area, is pledged to the Bonds. During the fiscal year ended September 30, 2018, the Defined Area levied an ad valorem maintenance tax at a rate of \$0.47 per \$100 of assessed valuation, which resulted in a tax levy of \$49,711 on the adjusted taxable valuation of \$10,576,790 for the 2017 tax year.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 8. INTERLOCAL AGREEMENT**

LaSalle Water Control and Improvement District No. 1

Northern Star Investors V, LLC ("Northern Star") entered into a Shared Cost and Expense Agreement (the "Agreement") with the District on April 19, 2005. The Agreement was assigned by Northern Star to LaSalle Water Control and Improvement District No. 1 ("LaSalle") on June 14, 2006. LaSalle and the District entered into an interlocal Agreement on February 7, 2007 and the parties have since entered into twenty-three amendments to the original agreement as of September 30, 2018. Under the twenty-third agreement, the District commits to provide LaSalle the number of gallons per minutes that are required to have per TCEQ 290.45 multiplied by a safety factor of 1.15, rounded up to the nearest gallon, up to a maximum of 100 gallons per minute until a new regional facilities agreement or a water sales contract is executed between the parties. LaSalle shall pay the District for water purchased at the District's actual cost paid to the Guadalupe Blanco River Authority ("GBRA"), including LaSalle's proportionate share of any GBRA end of year assessments, fees and billings, plus 10%. During the current year, the District received \$184,249 in relation to this agreement.

**NOTE 9. PENDING LITIGATION**

U.S. Water Serv. Corp. d/b/a USW Util. Group, a water and wastewater system operator that had previously contracted with the District for operations and management services ("USW"), filed a lawsuit against the District on March 5, 2018, Cause No. 2018CV-3268-DC (24th Jud. Dist. Ct., Calhoun County, Texas), as amended by USW's First Amended Original Petition filed on July 27, 2018, claiming that \$141,593 is allegedly due from the District under the contract and requesting attorneys' fees and related declaratory relief. The District believes that it has defenses and counterclaims. The District, in consultation with its General Counsel, does not currently anticipate the litigation will have a material adverse impact on its financial condition or operations. However, the outcome is unknown as of the date hereof, and neither the District nor its General Counsel make any representations or give any assurances as to the ultimate outcome or financial impact of the litigation.

**NOTE 10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool ("TML") to provide automobile liability, automobile physical damage coverage and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. The District purchased commercial insurance for all other coverage.



**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 11. SALES AND USE TAX**

The Texas Legislature, in 2013, authorized the District to levy, upon voter approval, a sales and use tax. Pursuant to an election on November 5, 2013, the District voters approved a sales and use tax which, the District collects at the rate of 1.5% within its boundaries. Proceeds from sales and use taxes are not pledged to the payment of the Bonds or any other debts of the District. The Board is, however, authorized by law to pledge such sales and use tax revenue to the payment of bonds, notes or other obligations. During the current year, the District recorded \$251,311 in sales tax revenue, of which, \$43,483 was receivable at year-end.

**NOTE 12. SUBSEQUENT EVENTS – BOND SALE AND BOND REDEMPTION**

Subsequent to year-end, on December 27, 2018, the District issues its \$6,000,000 Unlimited Tax Bonds, Series 2018. The District used the proceeds for wastewater collection improvements, Phase I; water distribution improvements; Phase II, force main; meter upgrade project and related engineering. Additional proceeds will be used to pay issuance costs of the bonds.

Subsequent to year-end, on January 22, 2019, the District used available General Fund and Debt Service Fund monies to retire \$1,100,000 of its Series 2013 Refunding Bonds. The Series 2013 Refunding bonds had maturity dates of September 1, 2034 - 2039 and interest rates of 5.10% - 5.20%.

DRAFT SUBJECT TO CHANGE

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**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2018**

DRAFT SUBJECT TO CHANGE



**PORT O'CONNOR IMPROVEMENT DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|  | Original and<br>Final Budget | Actual              | Variance<br>Positive<br>(Negative) |
|--|------------------------------|---------------------|------------------------------------|
| <b>REVENUES</b>                          |                              |                     |                                    |
| Property Taxes                           | \$ 928,000                   | \$ 808,150          | \$ (119,850)                       |
| Water Service                            | 940,000                      | 950,181             | 10,181                             |
| Wastewater Service                       | 470,000                      | 547,737             | 77,737                             |
| Penalty and Interest                     | 26,100                       | 29,374              | 3,274                              |
| Tap Connection and Inspection Fees       | 50,000                       | 114,500             | 64,500                             |
| Sales and Use Tax Revenues               | 205,000                      | 251,311             | 46,311                             |
| Solid Waste Service                      | 400,000                      | 406,117             | 6,117                              |
| Management Fees                          | 164,469                      | 184,249             | 19,780                             |
| Investment Revenues                      | 30,000                       | 48,158              | 18,158                             |
| Miscellaneous Revenues                   | 31,000                       | 12,677              | (18,323)                           |
| <b>TOTAL REVENUES</b>                    | <b>\$ 3,244,569</b>          | <b>\$ 3,352,454</b> | <b>\$ 107,885</b>                  |
| <b>EXPENDITURES</b>                      |                              |                     |                                    |
| Services Operations:                     |                              |                     |                                    |
| Professional Fees                        | \$ 533,860                   | \$ 432,641          | \$ 101,219                         |
| Personnel                                |                              | 223,781             | (223,781)                          |
| Contracted Services                      | 1,250,052                    | 754,934             | 495,118                            |
| Purchased Water Service                  | 360,726                      | 404,719             | (43,993)                           |
| Utilities                                | 100,300                      | 104,082             | (3,782)                            |
| Repairs and Maintenance                  | 79,350                       | 182,337             | (102,987)                          |
| Other                                    | 338,331                      | 179,498             | 158,833                            |
| Capital Outlay                           | 60,000                       | 126,514             | (66,514)                           |
| Debt Service:                            |                              |                     |                                    |
| Bond Principal                           | 115,000                      | 115,000             |                                    |
| Bond Interest                            | 74,643                       | 74,643              |                                    |
| <b>TOTAL EXPENDITURES</b>                | <b>\$ 2,912,262</b>          | <b>\$ 2,598,149</b> | <b>\$ 314,113</b>                  |
| <b>NET CHANGE IN FUND BALANCE</b>        | <b>\$ 332,307</b>            | <b>\$ 754,305</b>   | <b>\$ 421,998</b>                  |
| <b>FUND BALANCE - OCTOBER 1, 2017</b>    | <b>5,785,790</b>             | <b>5,785,790</b>    |                                    |
| <b>FUND BALANCE - SEPTEMBER 30, 2018</b> | <b>\$ 6,118,097</b>          | <b>\$ 6,540,095</b> | <b>\$ 421,998</b>                  |

See accompanying independent auditor's report.

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**PORT O'CONNOR IMPROVEMENT DISTRICT  
SUPPLEMENTARY INFORMATION REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**SEPTEMBER 30, 2018**

DRAFT SUBJECT TO CHANGE

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

|               |  |               |                      |               |            |
|---------------|--|---------------|----------------------|---------------|------------|
| <u>  X  </u>  | Retail Water   | <u>  X  </u>  | Wholesale Water      | <u>      </u> | Drainage   |
| <u>  X  </u>  | Retail Wastewater  | <u>  X  </u>  | Wholesale Wastewater | <u>      </u> | Irrigation |
| <u>      </u> | Parks/Recreation   | <u>      </u> | Fire Protection      | <u>      </u> | Security   |
| <u>  X  </u>  | Solid Waste/Garbage  | <u>      </u> | Flood Control        | <u>      </u> | Roads      |
| <u>      </u> | Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |               |                      |               |            |
| <u>      </u> | Other (specify): _____   |               |                      |               |            |

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order approved September 28, 2017:

|             | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1,000 Gallons over Minimum Use | Usage Levels     |
|-------------|----------------|---------------|---------------|---|------------------|
| WATER:      | \$ 33.05       | none          | Y             | \$ 2.25                                 | 001 to 6,000     |
|             |                |               |               | \$ 2.75                                 | 6,001 to 10,000  |
|             |                |               |               | \$ 3.50                                 | 10,001 to 15,000 |
|             |                |               |               | \$ 4.50                                 | 15,001 to 35,000 |
|             |                |               |               | \$ 5.50                                 | 35,001 to 50,000 |
|             |                |               |               | \$ 7.50                                 | 50,001 to 60,000 |
|             |                |               |               | \$ 9.50                                 | 60,001 and over  |
| WASTEWATER: | \$ 22.80       | none          | Y             | \$ 2.25                                 | 001 to 6,000     |
|             |                |               |               | \$ 2.75                                 | 6,001 to 10,000  |
|             |                |               |               | \$ 3.50                                 | 10,001 to 15,000 |
|             |                |               |               | \$ 4.50                                 | 15,001 to 35,000 |
|             |                |               |               | \$ 5.50                                 | 35,001 to 50,000 |
|             |                |               |               | \$ 7.50                                 | 50,001 to 60,000 |
|             |                |               |               | \$ 9.50                                 | 60,001 and over  |

District employs winter averaging for wastewater usage?

  X                
Yes      No

Total monthly charges per 10,000 gallons usage: Water: \$57.55 Wastewater: \$47.30 Total: \$104.85

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

| <u>Meter Size</u>            | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC Factor</u> | <u>Active ESFCs</u> |
|------------------------------|--------------------------|---------------------------|--------------------|---------------------|
| Unmetered                    | 31                       | 30                        | x 1.0              | 30                  |
| ≤¾"                          | 1,580                    | 1,570                     | x 1.0              | 1,570               |
| 1"                           | 33                       | 33                        | x 2.5              | 83                  |
| 1½"                          | 2                        | 2                         | x 5.0              | 10                  |
| 2"                           | 17                       | 17                        | x 8.0              | 136                 |
| 3"                           |                          |                           | x 15.0             |                     |
| 4"                           |                          |                           | x 25.0             |                     |
| 6"                           | 1                        | 1                         | x 50.0             | 50                  |
| 8"                           |                          |                           | x 80.0             |                     |
| 10"                          |                          |                           | x 115.0            |                     |
| Total Water Connections      | 1,664                    | 1,653                     |                    | 1,879               |
| Total Wastewater Connections | 1,496                    | 1,496                     | x 1.0              | 1,496               |

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)**

Gallons pumped into system: 12,200,000

Water Accountability Ratio: 97.9%  
 (Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: 10,208,000

Gallons Sold: 1,742,000

To: LaSalle Water Control & Improvement District No. 1

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Calhoun County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely ☐ Partly ☐ Not at all ☒

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

PERSONNEL EXPENDITURES (Including Benefits) \$ 223,781

PROFESSIONAL FEES:

|             |                |
|-------------|----------------|
| Auditing    | \$ 37,229      |
| Engineering | 111,309        |
| Legal       | <u>284,103</u> |

TOTAL PROFESSIONAL FEES \$ 432,641

PURCHASED SERVICES FOR RESALE:

|                         |                   |
|-------------------------|-------------------|
| Purchased Water Service | <u>\$ 404,719</u> |
|-------------------------|-------------------|

CONTRACTED SERVICES:

|                    |              |
|--------------------|--------------|
| Appraisal District | \$ 32,673    |
| Bookkeeping        | 37,157       |
| Operations         | 322,184      |
| Fiscal Agent Fees  | <u>1,500</u> |

TOTAL CONTRACTED SERVICES \$ 393,514

UTILITIES \$ 104,082

REPAIRS AND MAINTENANCE \$ 182,337

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**ADMINISTRATIVE EXPENDITURES:**

|                             |        |
|-----------------------------|--------|
| Director Fees               | \$ 900 |
| Insurance                   | 34,600 |
| Legal Notices               | 891    |
| Office Supplies and Postage | 39,322 |
| Travel and Meetings         | 2,843  |

|  |                  |
|--|------------------|
| <b>TOTAL ADMINISTRATIVE EXPENDITURES</b> | <b>\$ 78,556</b> |
|--|------------------|

|                       |                   |
|-----------------------|-------------------|
| <b>CAPITAL OUTLAY</b> | <b>\$ 126,514</b> |
|-----------------------|-------------------|

|                             |                   |
|-----------------------------|-------------------|
| <b>SOLID WASTE DISPOSAL</b> | <b>\$ 361,420</b> |
|-----------------------------|-------------------|

**OTHER EXPENDITURES:**

|                            |           |
|----------------------------|-----------|
| Supplies                   | \$ 30,868 |
| Laboratory Fees            | 18,853    |
| Permit Fees                | 15,984    |
| TCEQ Regulatory Assessment | 7,563     |
| Other                      | 27,674    |

|                                 |                   |
|---------------------------------|-------------------|
| <b>TOTAL OTHER EXPENDITURES</b> | <b>\$ 100,942</b> |
|---------------------------------|-------------------|

**DEBT SERVICE:**

|                |            |
|----------------|------------|
| Bond Principal | \$ 115,000 |
| Bond Interest  | 74,643     |

|                           |                   |
|---------------------------|-------------------|
| <b>TOTAL DEBT SERVICE</b> | <b>\$ 189,643</b> |
|---------------------------|-------------------|

|                           |                     |
|---------------------------|---------------------|
| <b>TOTAL EXPENDITURES</b> | <b>\$ 2,598,149</b> |
|---------------------------|---------------------|

Number of persons employed by the District      8      Full-Time      -0-      Part-Time

See accompanying independent auditor's report.



**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**INVESTMENTS**  
**SEPTEMBER 30, 2018**

| <u>Fund</u>                         | <u>Identification or<br/>Certificate Number</u> | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Balance at<br/>End of Year</u> | <u>Accrued<br/>Interest<br/>Receivable at<br/>End of Year</u> |
|-------------------------------------|---|--------------------------|--------------------------|-----------------------------------|---|
| <b><u>GENERAL FUND</u></b>          |   |                          |                          |                                   |   |
| Texas CLASS                         | XXXX0001  | Varies                   | Daily                    | \$ <u>2,542,889</u>               | \$ <u>- 0 -</u>   |
| <b><u>CAPITAL PROJECTS FUND</u></b> |   |                          |                          |                                   |   |
| Money Market Mutual Fund            | XXXX8958  | Varies                   | Daily                    | \$ <u>187,500</u>                 | \$ <u>- 0 -</u>   |
| <b>TOTAL - ALL FUNDS</b>            |   |                          |                          | <b>\$ <u>2,730,389</u></b>        | <b>\$ <u>- 0 -</u></b>  |

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|  | <u>Maintenance Taxes</u> |                  | <u>Debt Service Taxes</u> |                  |
|--|--------------------------|------------------|---------------------------|------------------|
| <b>TAXES RECEIVABLE -</b>                    |                          |                  |                           |                  |
| October 1, 2017                              | \$                       | 20,581           | \$                        | 17,668           |
| Adjustments to Beginning Balance             |                          | <u>(1,873)</u>   |                           | <u>(486)</u>     |
|  |                          | \$ 18,708        |                           | \$ 17,182        |
| Original 2017 Tax Levy                       | \$                       | 819,520          | \$                        | 1,001,425        |
| Adjustment to 2017 Tax Levy                  |                          | <u>(12,827)</u>  |                           | <u>(16,778)</u>  |
|  |                          | 806,693          |                           | 984,647          |
| <b>TOTAL TO BE ACCOUNTED FOR</b>             |                          | \$ 825,401       |                           | \$ 1,001,829     |
| <b>TAX COLLECTIONS:</b>                      |                          |                  |                           |                  |
| Prior Years                                  | \$                       | 11,536           | \$                        | 12,615           |
| Current Year                                 |                          | <u>796,614</u>   |                           | <u>972,372</u>   |
|  |                          | 808,150          |                           | 984,987          |
| <b>TAXES RECEIVABLE - SEPTEMBER 30, 2018</b> |                          | <u>\$ 17,251</u> |                           | <u>\$ 16,842</u> |
| <b>TAXES RECEIVABLE BY YEAR:</b>             |                          |                  |                           |                  |
| 2017   | \$                       | 9,665            | \$                        | 12,275           |
| 2016   |                          | 3,012            |                           | 3,832            |
| 2015   |                          | 720              |                           | 416              |
| 2014   |                          | 275              |                           | 139              |
| 2013   |                          | 351              |                           | 180              |
| 2012   |                          | 389              |                           |                  |
| 2011   |                          | 307              |                           |                  |
| 2010   |                          | 549              |                           |                  |
| 2009   |                          | 615              |                           |                  |
| 2008 and Prior                               |                          | <u>1,368</u>     |                           |                  |
| <b>TOTAL</b>                                 |                          | <u>\$ 17,251</u> |                           | <u>\$ 16,842</u> |

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|  | 2017                  | 2016                  | 2015                  | 2014                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>DISTRICT WIDE:</b>  |                       |                       |                       |                       |
| Land   | \$ 171,683,380        | \$ 162,000,834        | \$ 161,711,340        | \$ 156,121,478        |
| Improvements   | 199,791,688           | 191,871,890           | 184,933,586           | 181,081,509           |
| Personal Property  | 8,636,970             | 7,415,985             | 6,364,449             | 6,227,002             |
| Exemptions   | <u>(47,159,604)</u>   | <u>(43,806,419)</u>   | <u>(42,601,568)</u>   | <u>(42,715,386)</u>   |
| <b>TOTAL PROPERTY VALUATIONS</b>                                 | <u>\$ 332,952,434</u> | <u>\$ 317,482,290</u> | <u>\$ 310,407,807</u> | <u>\$ 300,714,603</u> |
| <b>TAX RATES PER \$100 VALUATION:</b>                            |                       |                       |                       |                       |
| Debt Service   | \$ 0.30               | \$ 0.30               | \$ 0.14               | \$ 0.13               |
| Maintenance **   | <u>0.23</u>           | <u>0.23</u>           | <u>0.23</u>           | <u>0.24</u>           |
| <b>TOTAL TAX RATES PER \$100 VALUATION</b>                       | <u>\$ 0.53</u>        | <u>\$ 0.53</u>        | <u>\$ 0.37</u>        | <u>\$ 0.37</u>        |
| <b>ADJUSTED TAX LEVY*</b>  | <u>\$ 1,764,648</u>   | <u>\$ 1,683,063</u>   | <u>\$ 1,148,510</u>   | <u>\$ 1,112,644</u>   |
| <b>DEFINED AREA :</b>  |                       |                       |                       |                       |
| <b>PROPERTY VALUATIONS</b>                                       | <u>\$ 10,576,790</u>  | <u>\$ 11,621,760</u>  | <u>\$ 11,387,830</u>  | <u>\$ 11,681,030</u>  |
| <b>TAX RATES PER \$100 VALUATION:</b>                            |                       |                       |                       |                       |
| Debt Service   | \$ 0.00               | \$ 0.00               | \$ 0.00               | \$ 0.00               |
| Maintenance**  | <u>0.47</u>           | <u>0.47</u>           | <u>0.63</u>           | <u>0.63</u>           |
| <b>TOTAL TAX RATES PER \$100 VALUATION</b>                       | <u>\$ 0.47</u>        | <u>\$ 0.47</u>        | <u>\$ 0.63</u>        | <u>\$ 0.63</u>        |
| <b>ADJUSTED TAX LEVY*</b>  | <u>\$ 49,711</u>      | <u>\$ 54,622</u>      | <u>\$ 71,743</u>      | <u>\$ 73,590</u>      |
| <b>PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED</b> | <u>98.79 %</u>        | <u>99.59 %</u>        | <u>99.90 %</u>        | <u>99.96 %</u>        |

\* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

\*\* District Wide – Unlimited tax rate approved by voters.  
Defined Area – Maximum tax rate of \$0.80 approved by voters.

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2018**

| SERIES-2013 REFUNDING                             |                                 |   |                     |
|---|---------------------------------|---|---------------------|
| Due During Fiscal<br>Years Ending<br>September 30 | Principal<br>Due<br>September 1 | Interest Due<br>March 1/<br>September 1 | Total               |
| 2019  | \$ 225,000                      | \$ 161,028                              | \$ 386,028          |
| 2020  | 235,000                         | 154,278                                 | 389,278             |
| 2021  | 240,000                         | 146,875                                 | 386,875             |
| 2022  | 250,000                         | 138,715                                 | 388,715             |
| 2023  | 255,000                         | 129,715                                 | 384,715             |
| 2024  | 265,000                         | 120,025                                 | 385,025             |
| 2025  | 95,000                          | 109,425                                 | 204,425             |
| 2026  | 100,000                         | 105,055                                 | 205,055             |
| 2027  | 105,000                         | 100,455                                 | 205,455             |
| 2028  | 110,000                         | 95,625                                  | 205,625             |
| 2029  | 120,000                         | 90,125                                  | 210,125             |
| 2030  | 125,000                         | 84,125                                  | 209,125             |
| 2031  | 130,000                         | 77,875                                  | 207,875             |
| 2032  | 140,000                         | 71,375                                  | 211,375             |
| 2033  | 150,000                         | 64,375                                  | 214,375             |
| 2034  | 160,000                         | 56,875                                  | 216,875             |
| 2035  | 165,000                         | 48,715                                  | 213,715             |
| 2036  | 175,000                         | 40,300                                  | 215,300             |
| 2037  | 190,000                         | 31,200                                  | 221,200             |
| 2038  | 200,000                         | 21,320                                  | 221,320             |
| 2039  | 210,000                         | 10,920                                  | 220,920             |
|   | <u>\$ 3,645,000</u>             | <u>\$ 1,858,401</u>                     | <u>\$ 5,503,401</u> |

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2018**

| SERIES - 2015                                     |                                 |   |                     |
|---|---------------------------------|---|---------------------|
| Due During Fiscal<br>Years Ending<br>September 30 | Principal<br>Due<br>September 1 | Interest Due<br>March 1/<br>September 1 | Total               |
| 2019  | \$ 120,000                      | \$ 73,677                               | \$ 193,677          |
| 2020  | 120,000                         | 72,297                                  | 192,297             |
| 2021  | 120,000                         | 70,557                                  | 190,557             |
| 2022  | 125,000                         | 68,469                                  | 193,469             |
| 2023  | 125,000                         | 65,944                                  | 190,944             |
| 2024  | 130,000                         | 63,131                                  | 193,131             |
| 2025  | 130,000                         | 59,959                                  | 189,959             |
| 2026  | 135,000                         | 56,631                                  | 191,631             |
| 2027  | 140,000                         | 52,810                                  | 192,810             |
| 2028  | 145,000                         | 48,513                                  | 193,513             |
| 2029  | 150,000                         | 43,785                                  | 193,785             |
| 2030  | 150,000                         | 38,640                                  | 188,640             |
| 2031  | 160,000                         | 33,270                                  | 193,270             |
| 2032  | 165,000                         | 27,367                                  | 192,367             |
| 2033  | 170,000                         | 21,130                                  | 191,130             |
| 2034  | 175,000                         | 14,550                                  | 189,550             |
| 2035  | 190,000                         | 7,638                                   | 197,638             |
| 2036  |                                 |   |                     |
| 2037  |                                 |   |                     |
| 2038  |                                 |   |                     |
| 2039  |                                 |   |                     |
|   | <u>\$ 2,450,000</u>             | <u>\$ 818,368</u>                       | <u>\$ 3,268,368</u> |

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2018**

**ANNUAL REQUIREMENTS  
FOR ALL SERIES**

| <b>Due During Fiscal<br/>Years Ending<br/>September 30</b> | <b>Total<br/>Principal Due</b> | <b>Total<br/>Interest Due</b> | <b>Total<br/>Principal and<br/>Interest Due</b> |
|--|--------------------------------|-------------------------------|---|
| 2019   | \$ 345,000                     | \$ 234,705                    | \$ 579,705                                      |
| 2020   | 355,000                        | 226,575                       | 581,575   |
| 2021   | 360,000                        | 217,432                       | 577,432   |
| 2022   | 375,000                        | 207,184                       | 582,184   |
| 2023   | 380,000                        | 195,659                       | 575,659   |
| 2024   | 395,000                        | 183,156                       | 578,156   |
| 2025   | 225,000                        | 169,384                       | 394,384   |
| 2026   | 235,000                        | 161,686                       | 396,686   |
| 2027   | 245,000                        | 153,265                       | 398,265   |
| 2028   | 255,000                        | 144,138                       | 399,138   |
| 2029   | 270,000                        | 133,910                       | 403,910   |
| 2030   | 275,000                        | 122,765                       | 397,765   |
| 2031   | 290,000                        | 111,145                       | 401,145   |
| 2032   | 305,000                        | 98,742                        | 403,742   |
| 2033   | 320,000                        | 85,505                        | 405,505   |
| 2034   | 335,000                        | 71,425                        | 406,425   |
| 2035   | 355,000                        | 56,353                        | 411,353   |
| 2036   | 175,000                        | 40,300                        | 215,300   |
| 2037   | 190,000                        | 31,200                        | 221,200   |
| 2038   | 200,000                        | 21,320                        | 221,320   |
| 2039   | 210,000                        | 10,920                        | 220,920   |
|  | <b>\$ 6,095,000</b>            | <b>\$ 2,676,769</b>           | <b>\$ 8,771,769</b>                             |

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| Description   | Original<br>Bonds Issued | Bonds<br>Outstanding<br>October 1, 2017    |                 |
|---|--------------------------|--|-----------------|
| Port O'Connor Improvement District Unlimited Tax<br>Refunding Bonds - Series 2013               | \$ 4,700,000             | \$ 3,860,000                               |                 |
| Port O'Connor Improvement District Water and<br>Sewer Revenue Bonds - Series 2015               | 2,815,000                | 2,565,000                                  |                 |
| TOTAL   | \$ 7,515,000             | \$ 6,425,000                               |                 |
| District Wide:  |                          |  |                 |
| Bond Authority:   | Unlimited<br>Tax Bonds   | Water and<br>Sewer System<br>Revenue Bonds | Refunding Bonds |
| Authorized by Voters  | \$ 12,000,000            | \$ 12,000,000                              | \$ 10,000,000   |
| Amount Issued   |                          | 2,815,000                                  | 4,700,000       |
| Remaining to be Issued  | \$ 12,000,000            | \$ 9,185,000                               | \$ 5,300,000    |
| Debt Service Fund cash and investment balances as of September 30, 2018:                        |                          |  | \$ 1,649,856    |
| Average annual debt service payment (principal and interest) for remaining term<br>of all debt: |                          |  | \$ 417,703      |

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions

| <u>Bonds Sold</u>                                | <u>Retirements</u> |                   | <u>Bonds<br/>Outstanding<br/>September 30, 2018</u> | <u>Paying Agent</u>  |
|--|--------------------|-------------------|---|--|
|  | <u>Principal</u>   | <u>Interest</u>   |   |  |
| \$   | \$ 215,000         | \$ 167,478        | \$ 3,645,000  | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
|  | 115,000            | 74,643            | 2,450,000   | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
| <u>\$ - 0 -</u>                                  | <u>\$ 330,000</u>  | <u>\$ 242,121</u> | <u>\$ 6,095,000</u>                                 |  |
| <br>Defined Area<br>No. 1 Unlimited<br>Tax Bonds |                    |                   |   |  |
| <u>\$ 20,000,000</u>                             |                    |                   |   |  |
| <br><u>\$ 20,000,000</u>                         |                    |                   |   |  |

See accompanying independent auditor's report.



**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

|  | Amounts             |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | 2018                | 2017                | 2016                |
| <b>REVENUES</b>  |                     |                     |                     |
| Property Taxes   | \$ 808,150          | \$ 779,252          | \$ 799,071          |
| Water Service  | 950,181             | 977,502             | 1,224,439           |
| Wastewater Service   | 547,737             | 547,490             | 883,905             |
| Penalty and Interest   | 29,374              | 22,725              | 20,371              |
| Tap Connection and Inspection Fees                           | 114,500             | 56,165              | 111,250             |
| Sales and Use Tax Revenues                                   | 251,311             | 213,107             | 207,232             |
| Solid Waste Service  | 406,117             | 410,210             | 402,657             |
| Management Fees  | 184,249             | 804,659             | 199,351             |
| Investment Revenues  | 48,158              | 25,877              | 27,792              |
| Miscellaneous Revenues                                       | 12,677              | 92,501              | 117,391             |
| <b>TOTAL REVENUES</b>  | <b>\$ 3,352,454</b> | <b>\$ 3,429,488</b> | <b>\$ 3,993,459</b> |
| <b>EXPENDITURES</b>  |                     |                     |                     |
| Professional Fees  | \$ 432,641          | \$ 480,173          | \$ 406,924          |
| Personnel  | 223,781             | 674,555             | 520,392             |
| Contracted Services  | 754,934             | 20,480              | 18,758              |
| Purchased Water Service                                      | 404,719             | 678,015             | 557,616             |
| Utilities  | 104,082             | 115,993             | 118,481             |
| Repairs and Maintenance                                      | 182,337             | 517,782             | 422,407             |
| Other  | 179,498             | 163,014             | 436,791             |
| Capital Outlay:  | 126,514             |                     |                     |
| Debt Service:  |                     |                     |                     |
| Bond Principal   | 115,000             |                     |                     |
| Bond Interest  | 74,643              | 81,449              | 56,698              |
| <b>TOTAL EXPENDITURES</b>                                    | <b>\$ 2,598,149</b> | <b>\$ 2,731,461</b> | <b>\$ 2,538,067</b> |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>\$ 754,305</b>   | <b>\$ 698,027</b>   | <b>\$ 1,455,392</b> |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |
| Transfers In (Out)   | \$ - 0 -            | \$ - 0 -            | \$ - 0 -            |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>\$ 754,305</b>   | <b>\$ 698,027</b>   | <b>\$ 1,455,392</b> |
| <b>BEGINNING FUND BALANCE</b>                                | <b>5,785,790</b>    | <b>5,087,763</b>    | <b>3,632,371</b>    |
| <b>ENDING FUND BALANCE</b>                                   | <b>\$ 6,540,095</b> | <b>\$ 5,785,790</b> | <b>\$ 5,087,763</b> |
|  |                     | **                  | **                  |

\* For the 9-month period ending September 30, 2014

\*\* These fiscal years were presented in prior year financial statements as an Enterprise Fund and have been restated in the current year.

See accompanying independent auditor's report.

|                     |                     | Percentage of Total Revenues |                |                |                |                |
|---------------------|---------------------|------------------------------|----------------|----------------|----------------|----------------|
| 2015                | 2014*               | 2018                         | 2017           | 2016           | 2015           | 2014*          |
| \$ 792,957          | \$ 1,398            | 24.1 %                       | 22.6 %         | 20.0 %         | 19.3 %         | 0.1 %          |
| 1,341,421           | 1,029,964           | 28.3                         | 28.5           | 30.7           | 32.6           | 42.2           |
| 965,036             | 703,718             | 16.3                         | 16.0           | 22.1           | 23.5           | 28.9           |
| 21,409              | 15,718              | 0.9                          | 0.7            | 0.5            | 0.5            | 0.6            |
| 78,989              | 130,986             | 3.4                          | 1.6            | 2.8            | 1.9            | 5.4            |
| 168,330             |                     | 7.5                          | 6.2            | 5.2            | 4.1            |                |
| 393,542             | 292,043             | 12.1                         | 12.0           | 10.1           | 9.6            | 12.0           |
| 300,952             | 228,178             | 5.5                          | 8.9            | 5.0            | 7.3            | 9.4            |
| 18,017              | 9,867               | 1.4                          | 0.8            | 0.7            | 0.4            | 0.4            |
| 32,079              | 24,444              | 0.5                          | 2.7            | 2.9            | 0.8            | 1.0            |
| <u>\$ 4,112,732</u> | <u>\$ 2,436,316</u> | <u>100.0 %</u>               | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| \$ 400,292          | \$ 437,140          | 12.9 %                       | 14.0 %         | 10.2 %         | 9.7 %          | 17.9 %         |
| 387,492             | 263,021             | 6.7                          | 19.7           | 13.0           | 9.4            | 10.8           |
| 20,009              | 10,256              | 22.5                         | 0.6            | 0.5            | 0.5            | 0.4            |
| 568,483             | 486,913             | 12.1                         | 19.8           | 14.0           | 13.8           | 20.0           |
| 135,508             | 90,142              | 3.1                          | 3.4            | 3.0            | 3.3            | 3.7            |
| 369,593             | 261,008             | 5.4                          | 15.1           | 10.6           | 9.0            | 10.7           |
| 230,114             | 150,282             | 5.4                          | 4.8            | 10.9           | 5.6            | 6.2            |
|                     |                     | 3.8                          |                |                |                |                |
|                     |                     | 3.4                          |                |                |                |                |
|                     |                     | 2.2                          | 2.4            | 1.4            |                |                |
| <u>\$ 2,111,491</u> | <u>\$ 1,698,762</u> | <u>77.5 %</u>                | <u>79.8 %</u>  | <u>63.6 %</u>  | <u>51.3 %</u>  | <u>69.7 %</u>  |
| \$ 2,001,241        | \$ 737,554          | 22.5 %                       | 20.2 %         | 36.4 %         | 48.7 %         | 30.3 %         |
| \$ -0-              | \$ 112,685          |                              |                |                |                |                |
| \$ 2,001,241        | \$ 850,239          |                              |                |                |                |                |
| <u>1,631,130</u>    | <u>780,891</u>      |                              |                |                |                |                |
| <u>\$ 3,632,371</u> | <u>\$ 1,631,130</u> |                              |                |                |                |                |
| **                  | **                  |                              |                |                |                |                |

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

|  | Amounts             |                     |                   |
|--|---------------------|---------------------|-------------------|
|  | 2018                | 2017                | 2016              |
| <b>REVENUES</b>  |                     |                     |                   |
| Property Taxes   | \$ 984,987          | \$ 937,323          | \$ 433,365        |
| Penalty and Interest   | 12,631              |                     |                   |
| Investment Revenues  | 2,581               | 2,256               | 2,101             |
| <b>TOTAL REVENUES</b>  | <u>\$ 1,000,199</u> | <u>\$ 939,579</u>   | <u>\$ 435,466</u> |
| <b>EXPENDITURES</b>  |                     |                     |                   |
| Tax Collection Expenditures                                  | \$ 144              | \$ 600              | \$ 746            |
| Debt Service Principal                                       | 215,000             | 210,000             | 200,000           |
| Debt Service Interest and Fees                               | 167,978             | 173,253             | 178,358           |
| Bond Issuance Costs  |                     |                     |                   |
| <b>TOTAL EXPENDITURES</b>                                    | <u>\$ 383,122</u>   | <u>\$ 383,853</u>   | <u>\$ 379,104</u> |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>\$ 617,077</u>   | <u>\$ 555,726</u>   | <u>\$ 56,362</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                   |
| Transfer In (Out)  | \$ - 0 -            | \$ - 0 -            | \$ - 0 -          |
| <b>NET CHANGE IN FUND BALANCE</b>                            | \$ 617,077          | \$ 555,726          | \$ 56,362         |
| <b>BEGINNING FUND BALANCE</b>                                | <u>1,021,674</u>    | <u>465,948</u>      | <u>409,586</u>    |
| <b>ENDING FUND BALANCE</b>                                   | <u>\$ 1,638,751</u> | <u>\$ 1,021,674</u> | <u>\$ 465,948</u> |
| <b>TOTAL ACTIVE RETAIL WATER<br/>CONNECTIONS</b>             | <u>1,653</u>        | <u>1,704</u>        | <u>1,832</u>      |
| <b>TOTAL ACTIVE RETAIL WASTEWATER<br/>CONNECTIONS</b>        | <u>1,496</u>        | <u>1,445</u>        | <u>1,420</u>      |

\* For the 9-month period ending September 30, 2014

See accompanying independent auditor's report.

|            |              | Percentage of Total Revenues |         |         |         |             |
|------------|--------------|------------------------------|---------|---------|---------|-------------|
| 2015       | 2014*        | 2018                         | 2017    | 2016    | 2015    | 2014*       |
| \$ 386,748 | \$ 28,385    | 98.4 %                       | 99.8 %  | 99.5 %  | 99.5 %  | 93.2 %      |
|            |              | 1.3                          |         |         |         |             |
| 2,025      | 2,081        | 0.3                          | 0.2     | 0.5     | 0.5     | 6.8         |
| \$ 388,773 | \$ 30,466    | 100.0 %                      | 100.0 % | 100.0 % | 100.0 % | 100.0 %     |
| \$         | \$           | %                            | 0.1 %   | 0.2 %   | %       | %           |
| 195,000    | 235,000      | 21.5                         | 22.4    | 45.9    | 50.2    | 771.4       |
| 183,246    | 140,873      | 16.8                         | 18.4    | 41.0    | 47.1    | 462.4       |
| 1,502      | 500          |                              |         |         | 0.4     | 1.6         |
| \$ 379,748 | \$ 376,373   | 38.3 %                       | 40.9 %  | 87.1 %  | 97.7 %  | 1,235.4 %   |
| \$ 9,025   | \$ (345,907) | 61.7 %                       | 59.1 %  | 12.9 %  | 2.3 %   | (1,135.4) % |
| \$ - 0 -   | \$ (112,685) |                              |         |         |         |             |
| \$ 9,025   | \$ (458,592) |                              |         |         |         |             |
| 400,561    | 859,153      |                              |         |         |         |             |
| \$ 409,586 | \$ 400,561   |                              |         |         |         |             |
| 1,770      | 1,770        |                              |         |         |         |             |
| 1,302      | 1,302        |                              |         |         |         |             |

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2018**

District Mailing Address - Port O'Connor Improvement District  
P.O. Box 375  
Port O'Connor, TX 77982

District Telephone Number - (361) 983-2652

| <b>Board Members</b>    | <b>Term of Office<br/>(Elected or Appointed)</b> | <b>Fees of Office<br/>for the<br/>year ended<br/>September 30, 2018</b> | <b>Expense Reimbursements<br/>for the<br/>year ended<br/>September 30, 2018</b> | <b>Title</b>   |
|-------------------------|--|---|---|----------------|
| Leon Brown, Jr.         | 11/14<br>11/18<br>(Elected)                      | \$ -0-  | \$ -0-  | President      |
| Marshall Bradford       | 11/14<br>11/18<br>(Elected)                      | \$ -0-  | \$ -0-  | Vice President |
| Maria Denney            | 08/18<br>11/20<br>(Appointed)                    | \$ -0-  | \$ -0-  | Secretary      |
| Ernest "Erny" McDonough | 08/18<br>11/20<br>(Appointed)                    | \$ -0-  | \$ -0-  | Director       |
| David Randolph          | 01/18<br>11/20<br>(Appointed)                    | \$ -0-  | \$ -0-  | Director       |

**Notes:** No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054) November 8, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 21, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2018**

|                                     | <u>Date Hired</u> | <u>Fees for the<br/>year ended<br/>September 30,<br/>2018</u> | <u>Title</u>                |
|-------------------------------------|-------------------|---|-----------------------------|
| <b>Key Personnel:</b>               |                   |   |                             |
| Alex Valle                          |                   | \$ 1,997  | Interim District<br>Manager |
| Evangelina Trevino                  |                   | \$ 22,533   | Office Manager              |
| Wade Cheek                          |                   | \$ 7,898  | Operations<br>Manager       |
| <b>Consultants:</b>                 |                   |   |                             |
| Bojorquez Law Firm, PC              |                   | \$ 243,562  | General Counsel             |
| The AL Law Group, PLLC              | 03/15/18          | \$ 15,779   | Litigation Counsel          |
| Allen Boone Humphries Robinson LLP  | 06/17/13          | \$ 29,482   | Bond Counsel                |
| McCall Gibson Swedlund Barfoot PLLC | 09/20/18          | \$ -0-  | Auditor                     |
| Goldman, Hunt & Notz, LLP           |                   | \$ 37,229   | Prior Auditor               |
| Municipal Accounts & Consulting     | 03/01/14          | \$ 39,975   | Bookkeeper                  |
| Hilltop Securities, Inc.            | 01/28/04          | \$ -0-  | Financial Advisor           |
| John D. Mercer & Associates, Inc.   | 09/20/18          | \$ -0-  | Engineer                    |
| CP&Y, Inc.                          | 10/11/17          | \$ 94,259   | Prior Engineer              |
| USW Utility Group                   | 03/31/16          | \$ 299,260  | Prior Operator              |
| Calhoun County                      |                   | \$ 32,673   | Tax Assessor/<br>Collector  |

See accompanying independent auditor's report.